

Message Text

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SECDEF WASHDC PRIORITY

INFO ALL NATO CAPITALS 4893

AMEMBASSY CAIRO

USLOSACLANT

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USNMR SHAPE

USDOCOSOUTH

S E C R E T SECTION 1 OF 3 USNATO 0211

E.O. 11652: GDS

TAGS: PFOR, MILI, NATO, CR, XF, XG, XI

SUBJECT: NATO STUDY ON IMPLICATIONS OF REOPENING THE SUEZ CANAL

REF: A.STATE 008220(NOTAL)

B. USNATO 0080

1. ON JANUARY 14, POLADS HAD FIRST FORMAL DISCUSSION ON SUBJECT STUDY. NO NATIONAL CONTRIBUTIONS WERE TABLED AT THAT TIME, HOWEVER, UK, NETHERLANDS, TURKEY, FRG, FRANCE, GREECE AND U.S. INDICATED THEY INTENDED TO MAKE NATIONAL CONTRIBUTIONS IN THE NEAR FUTURE. STUDY CHAIRMAN (MEUWIS) DID NOT PRESENT DETAILED WRITTEN NATO/IS CONCEPT OF PAPER AS MISSION HAD EXPECTED BUT RATHER HE OUTLINED ORALLY HIS GENERAL CONCEPT OF HOW THE PAPER MIGHT BE ORGANIZED. THAT CONCEPT WAS GENERALLY IN ACCORD WITH VIEWS
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PREVIOUSLY EXPRESSED BY ASYG KASTL (PARA 3, REF B).

2. COMMITTEE DECIDED THAT OFFICIAL TITLE OF THE STUDY WOULD BE "IMPLICATIONS OF THE REOPENING OF THE SUEZ CANAL". THIS

BLAND TITLE IS COMPROMISE AMONG THOSE WHO FAVORED MORE SPECIFIC TITLES THAT WOULD PREJUDGE SCOPE AND CONTENT OF STUDY ITSELF.

3. FIRST NATIONAL CONTRIBUTION WAS RECEIVED BY COMMITTEE MEMBERS ON JANUARY 16 FROM FRG. BEARING NO CLASSIFICATION THIS CONTRIBUTION WAS FORWARDED BY LETTER WHICH COMMENTED THAT PAPER WAS A "FIRST FRG CONTRIBUTION.. DRAWN FROM AN INDEPENDENT EXPERTS' STUDY WHICH DOES NOT NECESSARILY REFLECT OFFICIAL OPINION." DEPARTMENT WILL NOTE THAT PAPER, TEXT OF WHICH IS SET FORTH BELOW, IS EXCLUSIVELY DEVOTED TO POSSIBLE ECONOMIC CONSEQUENCES OF CANAL REOPENING.

4. ACTION: AS SECURITY PROCEDURES REQUIRE CONTROLLED DISSEMINATION AND SIGNATURE FOR NATO/SECRET DOCUMENTS, MISSION REQUESTS THAT WE RECEIVE FIRST U.S. CONTRIBUTION TO THIS STUDY PROMISED FOR JANUARY 21 POLADS BY OOB JANUARY 20 SO THAT WE CAN DISSEMINATE THROUGH NATO REGISTRY PRIOR TO POLADS MEETING ITSELF. BEGIN TEXT OF FRG PAPER:

SOME ASPECTS OF POSSIBLE ECONOMIC CONSEQUENCES OF A REOPENING OF THE SUEZ CANNAL

I. IMPLICATIONS OF THE OPENING OF THE SUEZ CANAL FOR OIL SUPPLIES TOWESTERN EUROPE

1. EVEN AFTER THE REOPENING OF THE SUEZ CANAL, A LARGE PART OF THE OIL SHIPMENTS FROM THE PERSIAN GULF TO WESTERN EUROPE WILL CONTINUE TO BE HANDLED BY VERY LARGE TANKERS AROUND THE CAPE OF GOOD HOPE. AFTER THE CLOSURE OF THE CANAL IN 1967, PROFITABILITY CALCULATIONS AND MORE SOPHISTICATED POSSIBILITIES FOR CONSTRUCTING SHIPS CAUSED THE SHIPOWNERS TO BUILD A LARGE NUMBER OF SUPER TANKERS WHICH COULD NOT USE THE SUEZ CANAL IN ITS PRE-1967 DEPTH. (IN THE PAST 20 YEARS, THE AVERAGE TANKER SIZES HAVE MULTIPLIED BY 10). A LOT WILL THEREFORE DEPEND ON THE IMPLEMENTATION OF EGYPTIAN PLANS TO WIDEN AND TO
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DEEPEN THE CANAL. UNDER FAVOURABLE CIRCUMSTANCES, THE DEEPENING OF THE CANAL TO 40 FEET OR 12,19 METRES WOULD TAKE ABOUT 16 MONTHS, COST ABOUT 90 MILLION DOLLARS AND WOULD ALLOW ABOUT HALF THE PRESENT WORLD TANKER FLEET TO PASS THE CANAL.

2. UNDOUBTEDLY, THE OPENING OF THE SUEZ CANAL WILL NEVERTHELESS EASE THE SHIPMENT OF OIL AND WILL THUS BE A POSITIVE FACTOR FOR INTERNATIONAL SHIPPING. AT PRESENT, THE COUNTRIES OF WESTERN EUROPE ARE STILL RECEIVING ABOUT 40 PERCENT OF THEIR OIL FROM THE COUNTRIES EAST OF SUEZ.

3. IT CAN THEREFORE BE SAFELY EXPECTED THAT AFTER THE

OPENING OF THE CANAL AND POSSIBLY ITS WIDENING AND DEEPENING, THE AVERAGE SIZE OF THE TANKERS WILL STABILIZE ITSELF AND AN IMPORTANT PART OF OIL SHIPMENTS, ESPECIALLY THOSE DESTINED FOR THE PIPELINE TERMINALS IN THE MEDITERRANEAN, WILL USE THE SUEZ CANAL.

II. OTHER TYPES OF SHIPMENT

DRY CARGO

4. UNLIKE DEVELOPMENTS IN THE OIL SHIPPING TRADE WHICH WAS MORE OR LESS LIMITED TO ENLARGING THE SIZE OF THE TANKERS AND THE CONSTRUCTION OF THE CORRESPONDING PORT FACILITIES FOR LOADING AND UNLOADING, THE CONSTRUCTION OF DRY CARGO VESSELS PROCEEDED ALONG DIFFERENT AND, TO SOME EXTENT, ENTIRELY NEW LINES.

5. FROM THE "BRAVE OLD FREIGHTER" WHICH HAD ITS OWN LOADING TACKLE AND CROSSED ALL OCEANS ON REGULAR ROUTES OR AS A TRAMPER, A NUMBER OF SPECIAL TYPES HAVE BEEN DEVELOPED SUCH AS BULK CARRIERS, CONTAINER SHIPS WHICH TRANSPORT THEIR LOADS IN STANDARDIZED CONTAINERS, AND LASH SHIPS WHICH DO NOT NEED ANY EXPENSIVE PORT FACILITIES BUT TAKE STANDARDIZED LIGHTERS ON BOARD WHICH TRANSPORT THEIR FREIGHT WITHOUT ANY RE-LOADING TO THE RECIPIENT VIA INTERNAL WATERWAYS.

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6. IN SPITE OF A NOTICEABLE INCREASE IN THE SIZE OF SHIPS ALSO IN THIS FIELD-THE PRESENT THIRD GENERATION GOES UP TO ABOUT 40,000 GRT-THEIR SIZE WILL PROBABLY BE LIMITED BECAUSE OF THE HIGHLY SOPHISTICATED TECHNICAL EQUIPMENT INSTALLED IN THEM, SO THAT A REOPENED SUEZ CANAL COULD BE VERY INTERESTING AS A SHIPPING LANE.

7. IN 1966, ABOUT 66 MILLION TONS OF DRY CARGO OUT OF A TOTAL QUANTITY OF 820 MILLION TONS OF WORLD TRADE PASSED THE SUEZ CANAL. THE ESTIMATED FIGURE FOR 1980 IS ABOUT 1,750 MILLION TONS OF DRY CARGO THROUGH THE SUEZ CANAL OUT OF A WORLD TOTAL OF 5,000 MILLION TONS. IN VIEW OF THESE FIGURES, THE ESTIMATE THAT THE SUEZ CANAL, AFTER IT HAS BEEN REOPENED, WILL CARRY BETWEEN 15 AND 20 PERCENT MORE DRY CARGO THAN IN 1966 SOUNDS VERY MODEST.

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8. WHILE EUROPE CONTINUES TO BE THE MAIN TRADING PARTNER OF THE COUNTRIES IN EAST AFRICA AND SOUTH-EAST ASIA IN SPITE OF THE CLOSURE OF THE SUEZ CANAL, THE SOVIET UNION IS MAKING IMPORTANT INROADS INTO THE PIECE GOODS, CONTAINER AND BULK GOODS TRAFFIC. ACCORDING TO AN ANALYSIS OF THE NIPPON YUSEN KAISHA SHIPPING COMPANY, THE SOVIET UNION WILL POSSESS THE LARGEST PIECE GOOD FLEET OF THE WORLD IN 1975. THE NEW PORT OF ILLYETCHOVSK OF THE BLACK SEA IS ALREADY NOW ONE OF THE FIVE BIGGEST PORTS OF ITS KIND IN THE SOVIET UNION, WHILE VRANGELSK ON THE JAPAN SEA IS BEING EXTENDED FOR TIMBER, COAL AND CONTAINER TRAFFIC WITH SHIPS OF UP TO 140,000 TONS.

9. AS FAR AS DRY CARGO IS CONCERNED, THEREFORE, IT CAN BE SAID THAT, WITH VERY FEW EXCEPTIONS, MOST COUNTRIES OF THE WORLD WOULD DRAW CONSIDERABLE BENEFIT FROM A REOPENING OF THE SUEZ CANAL.

PASSENGER TRAFFIC

10. INDEPENDENTLY OF THE CLOSURE OF THE CANAL, PASSENGER TRAFFIC HAS CONSTANTLY DEVELOPED DOWNWARD FOR MANY YEARS. THE MAIN REASON FOR THIS IS THE ENORMOUS INCREASE IN THE NUMBER OF AIR PASSENGERS.

11. IN CONTRAST TO THE GRADUALSTRANGULATION OF LINER SERVICES FOR PASSENGERS IN WESTERN COUNTRIES, THE SOVIET SHARE OF THE MARKET IS SHOWING A RISING TREND. WHILE WESTERN SHIP-OWNERS CAN NO LONGER COVER THE COST OF LARGE PASSENGER STEAMERS ON REGULAR ROUTES, THE SOVIET SHIPS ARE BEING USED IRRESPECTIVE OF LOSSES FOR THE PURPOSE OF SHOWING THE

SOVIET FLAG AROUND THE WORLD, I.E, FOR PRIMARILY POLITICAL PURPOSES. HOWEVER, SOVIET PASSENGER STEAMERS ALONE WOULD NOT REPRESENT SUFFICIENT ECONOMIC ADVANTAGES FOR THE CANAL SO THAT PASSENGER SERVICES ARE NOT AN ESSENTIAL FACTOR IN ANY CONSIDERATIONS FOR THE REOPENING OF THE CANAL. THE -SMALL-BENEFIT WOULD PRIMARILY ACCRUE TO THE SOVIET UNION.

THE FISHING TRADE

12. UNTIL THE FIFTIES, FISHING OPERATIONS WERE UNDERTAKEN IN SECRET

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A MANNER WHICH MADE PASSAGE THROUGH THE SUEZ CANAL UN-NECESSARY.

13. THE SOVIET UNION, WHICH HAS FOR MANY YEARS BEEN ACCUSED OF OVERFISHING, I.E. THE RUTHLESS EXPLOITATION OF THE FISHING GROUNDS INCLUDING YOUNG FISH AND SMALL ANIMALS, HAS HAD ITS FISHING FLEET EXPANDED BY SCANDINAVIAN, POLISH, GDR AND OTHER SHIPYARDS INTO ONE OF THE LARGEST AND MOST MODERN OF THE WORLD.

14. THE OPENING OF THE SUEZ CANAL WOULD SHORTEN THE ROUTE FROM THE BLACK SEA TO THE FISHING GROUNDS IN THE INDIAN OCEAN, WHERE THE SOVIET UNION HAS CONCLUDED FISHING AGREEMENTS WITH 14 STATES, BY SEVERAL WEEKS, WOULD SAVE COST AND WOULD PROBABLY INCREASE OVERFISHING EVEN MORE. AS IN THE CASE OF SOVIET WARSHIPS AND MERCHANT SHIPS, THE SUEZ CANAL WOULD PERMIT THE SOVIET FLOATING FISH FACTORIES TO MOVE FROM SIBERIAN TO BLACK SEA PORTS, THUS FACILITATING VOYAGES TO THE FISHING GROUNDS TO BE EXPLOITED.

15. FROM THE POINT OF VIEW OF DEEP-SEA FISHING, THEREFORE, THE OPENING OF THE SUEZ CANAL WOULD BE MAINLY OR PRE-DOMINANTLY TO THE BENEFIT OF THE SOVIET UNION AND WOULD GIVE RISE TO PROBLEMS WITH REGARD TO OVERFISHING.

EFFECTS OF THE REOPENING OF THE SUEZ CANAL

16. AMONG THE LARGE AND MEDIUM-SIZED POWERS, THE SOVIET UNION WOULD UNDOUBTEDLY DRAW THE GREATEST ECONOMIC BENEFIT FROM THE REOPENING OF THE CANAL.

17. IN VIEW OF THE DISTANCE BETWEEN THE EUROPEAN PARTS OF THE SOVIET UNION AND ITS FRONTIERS IN NORTH-EAST ASIA, INTRA-SOVIET COMMERCIAL XCHANGES, MAINLY THOSE OF HEAVY GOODS, WILL BE CONSIDERABLY CHEAPER BY THE USE OF SHIPS THAN BY RAILWAYS THROUGH SIBERIA. IN SPITE OF ALL TECHNOLOGICAL ADVANCES, THE SIBERIAN SEA ROUTE CAN PROBABLY BE USED ONLY FOR SIX MONTHS EVERY YEAR, AND THIS ONLY WITH DIFFICULTY.

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18. THUS, A DIRECT ROUTE FROM THE BLACK SEA VIA THE SUEZ CANAL AND EAST ASIA TO VLADIVOSTOK AND THE NEW PORTS IN SIBERIA WOULD, FOR INTERNAL SOVIET SUPPLIES AND TRADE WITH INDIA AND EAST ASIA, LEAD TO SAVINGS IN TIME AND SHIPS, WHICH MAY AMOUNT TO SEVERAL MILLION DOLLARS EVERY YEAR. IN ADDITION, THE SOVIET UNION IS IN THE HAPPY POSITION THAT THE MAJORITY OF ITS SHIPS CAN PASS THE SUEZ CANAL BECAUSE OF THEIR RELATIVELY SMALL SIZE.

19. THE REOPENING OF THE SUEZ CANAL WOULD BE OF PARTICULAR IMPORTANCE FOR THE MEDITERRANEAN WHICH WOULD THUS REGAIN ITS SIGNIFICANCE AS ONE OF THE MOST IMPORTANT LINKS BETWEEN WEST AND EAST. ACCORDING TO AN ESTIMATE, THE EUROPEAN COUNTRIES COULD SAVE ABOUT 9,000 MILLION DOLLARS IN THE NEXT SEVEN OR EIGHT YEARS BY USING THE SUEZ CANAL.

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20. THE DIRECT BENEFITS OF A REOPENING OF THE SUEZ CANAL FOR EGYPT HAVE BEEN ASSESSED IN A VARIETY OF WAYS. ON THE ONE HAND, THERE WILL BE THE CANAL REVENUE WHICH HAS BEEN OPTIMISTICALLY ESTIMATED AT UP TO 650 MILLION DOLLARS PER YEARBY 1980. ON THE OTHERHAND, THERE WILL BE THE EXPENDITURES FOR MAINTAINING THE CANAL INOPERATING

CONDITION. HOWEVER, THERE CAN BE NO DOUBT THAT THE PASSING SEA TRAFFIC WOULD GIVE A CONSIDERABLE BOOST TO THE FORMER WORLD PORTS OF PORT SAID AND SUEZ, WHICH WOULD BE OF SOME BENEFIT FOR EGYPT'S FOREIGN EXCHANGE POSITION.

21. THE BENEFIT TO BE EXPECTED BY THE COUNTRIES ON THE RED SEA AND THE EASTERN COAST OF AFRICA IS DIFFICULT TO ASSESS BUT WILL UNDOUBTEDLY BE CONSIDERABLE. THIS WOULD BE LESS TO THE ADVANTAGE OF INTERNATIONAL TRADE BUT AT ANY RATE TO THAT OF THEIR OWN DEVELOPMENT, WHICH IS AN URGENT NECESSITY. THESE COUNTRIES SUFFER PARTICULARLY FROM THE CLOSURE OF THE CANAL.

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